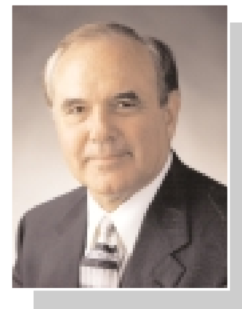
This week in the Legislature

An update from State Senator Robert Garton



INDIANAPOLIS – In his annual "State of the State" address Jan. 15 before a joint session of the Indiana Legislature, Gov. Frank O'Bannon repeated his call for higher taxes to deal with the state budget crunch and to help cushion the effects of this year's statewide reassessment of property.

To relieve pressure on the current state budget, the governor asked lawmakers to increase the cigarette tax by $.50 per pack, increase the riverboat casino admission tax by $2, discontinue an income tax deduction for property taxes paid by homeowners, and reinstate an income tax "add back" which affects farmers and small businesses.

Combined, these tax increases would bring in some $700 million in additional revenue for the state.

Republican legislative leaders who gave the GOP response to the governor's address pointed out that, the way things stand now, Indiana will end the current budget cycle with a surplus of $335 million. That is, with no additional budget cuts or tax increases, the state bank account will total about $335 million on June 30, 2003.

The GOP leaders then offered a suggestion list of 15 ways to reduce state spending without cutting education or any other service.

Leading the list of suggested cost savings is a reduction in state contracts for work performed by "outside consultants." Last year, outside consultants cost Indiana taxpayers nearly $1.4 billion. For example, one consultant is being paid $372 per hour to decide where to locate radio transmission towers. Especially when budgets are tight, it seems as though work performed by consultants could be handled by some of the 39,000 state employees.

Republicans also suggested scaling back the state's fleet of 20 airplanes; selling unused state property; speeding up controls to limit abuse, waste and over-utilization in the Medicaid program; and re-establishing the Employee Suggestion Program to encourage state workers to participate in cutting out wasteful spending.

Closing old, unneeded capital accounts would generate between $20 million and $30 million for state coffers. As the GOP legislative leaders pointed out, that would provide enough funds to give all state employees a 3 percent pay raise. The governor announced late last year that state employees would receive no pay raise in 2002 unless the Legislature agrees to his tax increase plan.

Implementing these spending cuts would add to the state's bottom line next year. Should the economy pick up in the 18 months remaining in the budget cycle, revenue generated by sales, income and other forms of tax also could add to the ending balance. Following several months of decline, state revenue collections in December 2001 surpassed all estimates. Future monthly revenue figures will reveal whether an upward trend has begun.

On the issue of tax restructuring, Republicans repeated their earlier pledge to work with the governor to devise a restructuring plan which truly is revenue-neutral. In other words, a plan in which tax cuts are equal to tax increases.

Achieving revenue-neutral tax restructuring would be a milestone for Indiana. The present tax system, which relies heavily upon local property taxes, is harmful not only to lower- income and fixed-income families, but also to the creation of new jobs for Hoosier workers.